Compass Resources Limited
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ASX Code: CMR

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ASX ANNOUNCEMENT

24 June 2013

ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED 31 DECEMBER 2012

Attached are the audited Annual Report and Accounts of Compass Resources Limited (ASX code: CMR) for the period ended 31 December 2012.

Yours faithfully,

Philip R. Wood

Philip R. Wood
Chief Executive Officer
& Executive Director

Compass Resources Limited

AND ITS CONTROLLED ENTITIES

A.C.N 010 536 820

FINANCIAL STATEMENTS

AND

AUDIT REPORT

FOR THE YEAR ENDED

31 December 2012

CONTENTS

The Directors present their report together with the financial report of Compass Resources Limited ("the Company") and its controlled entities (together, "the Consolidated Entity") for the year ended 31 December 2012 ("Reporting Period") and the Auditor's report thereon.

Other than where expressly stated otherwise, all statements in this report are made solely with respect to the Reporting Period, as at 31 December 2012.

Directors

The Directors and Company Secretaries of the Company at any time during the Reporting Period and until the date of this report are as follows.

Mark Angelo	Non-executive Chairman	
Philip Wood B.A. (Syd), Ll.B. (Syd), ASIA, Dip.L.C.F (Sorbonne)	Non-executive Director Chief Executive Officer and Executive Director	Appointed June 2012 Appointed August 2012
James Carr	Non-executive Director Managing Director	Appointed July 2012
David Gonzalez	Non-executive Director	
Gerald Eicke	Non-executive Director	
John Allen Ll. M. (Harvard), B.A. (Syd), Ll.B. (Hons) (Syd)	Non-executive Director	Appointed June 2012
Richard Swann BE, MBA, FAusIMM	Managing Director	Appointed October 2006 Resigned June 2012
Neil Guest B.B., CPA, F.A.I.C.D, .J.P. (NSW)	Company Secretary (and Chief Financial Officer)	Appointed December 2007 Resigned January 2012
Thomas Bloomfield B.A. (Hons), A.C.I.S., M.A.I.C.D.	Company Secretary	Appointed January 2012

Mark Angelo
President and Managing Member of Yorkville Advisors since co-founding the firm in February 2001. Previously co-head of the Corporate Finance Division of the May Davis Group, a boutique investment bank focused on emerging growth companies. Before joining the May Davis Group, Mr Angelo was a securities trader with The Boston Group L.P., a broker dealer located in New York City. He currently serves on the board of Yorkville Bhn, a company listed on the Italian Stock Exchange. Mr Angelo has not held any other listed company directorships within the last 3 years.

Philip Wood, B.A. (Syd), Ll.B. (Syd), ASIA, Dip.L.C.F (Sorbonne)
Mr Wood is an experienced professional with an international legal and investment banking background. His previous roles include Managing Director and Chief Executive Officer of Intec Ltd., a leading minerals processing technology company and Associate Director at Resource Finance Corporation, where he engaged on a range of corporate transactions in the Australian mining and minerals processing sectors.

James Carr
Mr Carr has been at Yorkville Advisors since 2005. He previously worked in various levels of responsibility, including as an engineer for 20 years for companies in data security and telecommunications. He also worked for a year at a venture capital firm helping to fund enterprise software companies. Mr Carr has not held any other listed company directorships within the last 3 years.

David Gonzalez
General Counsel and Managing Member at Yorkville Advisors since 2001, Mr Gonzalez specializes in corporate securities law, hedge fund compliance and regulation as well as Investment Advisor regulation. He is an active member of the Managed Funds Association, ABA Corporate Finance Committee, the ABA Subcommittee on FINRA Rules, the Hispanic Bar Association, and serves on the board of Yorkville Bhn, a listed company on the Italian Stock Exchange.

Gerald Eicke
Managing Member at Yorkville Advisors since 2002, Mr Eicke oversees the asset sales process and manages the firm's team of corporate finance and investment professionals. He is also one of the four members of the firm's Risk and Valuation Committee, and serves on the board of Yorkville Bhn, a company listed on the Italian Stock Exchange.

John Allen
Mr Allen is an expert in providing strategic advice on JV and strategic alliances, mergers and acquisitions, equity, hybrid and debt raising and complex commercial transactions in Australia and Asia. Mr Allen was a partner in Allen, Allen & Hemsley Lawyers for 16 years and has been a director and chairman of a number of private companies. He is Chairman of the China Research Centre at the University of Technology, Sydney. Mr Allen has not held any other listed company directorships within the last 3 years.

Richard Swann, B.E., M.B.A., F.Aus.I.M.M.
Mr. Swann is a mining engineer with over 30 years technical and management experience in the global minerals industry. He has held senior executive positions with international resource companies in Australia and South America. Mr Swann has not held any other listed company directorships within the last 3 years.

Company Secretary
Neil Guest, BB, CPA, FAICD, JP (NSW)

Mr Guest has over 10 years' experience as a Chief Financial Officer of Australian public listed companies, with extensive background in enhanced financial control systems. He has over 30 years' accountancy experience. Mr Guest has not held any other listed company directorships within the last 3 years.

Thomas Bloomfield, BA (Hons), ACIS, MAICD
Mr Bloomfield has experience working in the Sydney and London offices of international organisations, both 'in-house' and for Boardroom Pty Limited, a corporate services provider. Mr Bloomfield has not held any other listed company directorships within the last 3 years.

Directors' Meetings
There were 3 Directors' meetings held during the Reporting Period attended as follows:

Board Meetings

	A	B
Mark Angelo	1	3
Philip Wood	1	1
James Carr	3	3
David Gonzalez	3	3
Gerald Eicke	3	3
John Allen	1	1
Richard Swann	2	2

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the Reporting Period.

Committee Meetings
There were no Audit or Remuneration Committee meetings during the Reporting Period.

Corporate Governance
The Board is currently working on reinstating appropriate corporate governance practices.

Consolidated Result
The net loss of the Consolidated Entity was $12.7million (2011: profit of $22.1million).

Principal Activities
The Company's present operations as at the date of this report are:

- Browns Project Joint Ventures
  The Company's primary focus continues to be the progression of its three joint ventures with HNC (Australia) Resources Pty Limited ('HAR').

  The operating committees for the joint ventures (consisting of 3 Company representatives and 3 HAR representatives) are meeting bi-monthly to assess progress and determine budgets.

  Of these joint ventures:
  - Sulphide Joint Venture: The present goal of the Sulphide Joint Venture is to determine the economic feasibility of pursuing the Browns Sulphide Project by selective underground mining of separate high grade lead and copper zones.

    The Joint Venture Operator (currently HNC (Australia) Exploration and Mining Pty Limited), 50% funded by the Company and HAR respectively, has drilled fifteen additional holes to obtain samples for assay and testwork. HAR and the Company are together undertaking a Scoping Study of the technical and economic feasibility of the new strategy, which comprises the following key components: 1) flotation test work, 2) updated geographic information system, geology model and database, 3) improved resource definition, 4) new mine plan, 5) assessment of the existing processing plant, 6) an assessment of ancillary matters, 7) updated project economics and 8) commissioning of an independent "nameplate" audit. The Scoping Study is scheduled to be completed by the end of August 2013.

  - Oxide Joint Venture: The plant at Browns East that is part of the Oxide Joint Venture is currently in a regulatory compliance state and is being maintained by the Joint Venture Operator. Under the terms of the Oxide Joint Venture, ownership of the Browns Oxide Plant ("the Plant") is shared between the Oxide Joint Venture parties in proportion to their respective cash contributions. This has resulted in the Company and HAR respectively owning 61% and 39% of the Plant. The value of the Plant on the Company's statement of financial position has been adjusted to reflect this position. The percentage of the Plant ownership is still a best estimate, although the Company is not aware of any disagreement from HAR. Please refer to Note 12.

  - Regional Exploration Joint Venture: The Regional Exploration Joint Venture will continue to explore the Joint Venture tenements and continues to spend money on exploration. The Operator has completed a FALCON Airborne Gravity Gradiometry, Magnetics and DTM Survey in December 2012 that, in conjunction with the EM/magnetic survey that was conducted in 2010, will help identify target locations for possible drilling.

- Other Operations
  - Wholly-owned Northern Territory Tenements: The Company is exploring its wholly-owned tenements near Batchelor in the Northern Territory. The FALCON Airborne Gravity Gradiometry, Magnetics and DTM Survey also include these tenements. The Company has been approached by parties interested in iron, manganese and uranium ore potential on these tenements and intends to further investigate the possibility of forming joint ventures to explore these areas with interested parties or the outright sale of the Company's tenements.
  - New South Wales Tenements: The Company's joint ventures with Platsearch for some tenements in NSW have now been released. The Company still keeps a joint ventured with Thomson Resources for the rest of the tenements in NSW. The Company will continue to deal with these tenements in accordance with the statutory requirements.

- Peru Tenement: The Company also has a 70% owned tenement in Peru (the Nangali Gold Project) and is considering its options with respect to this.

- Corporate
  - In February 2012, the Company received a Statement of Claim filed in the Supreme Court of NSW on 25 January 2012 on behalf of a number of shareholder plaintiffs. The claim related to the rejection of the proofs of debt that certain shareholders submitted to the trustees of the CMR Creditors Trust. On 10 April 2012, the court ordered that the Company be removed as a party to the proceedings and the plaintiffs are to pay the Company's costs of the notice of motion and the proceeding to 10 April 2012, as agreed or assessed.

    In March 2012 it became apparent that the Company would not be able to comply with the reporting requirements under the facilities provided by Yorkville Advisors (YA). The Company sought and obtained a verbal waiver of this requirement from YA. In July 2012, the Company sought and obtained a written waiver from YA as confirmation of the previous verbal waiver.

    In April 2012, the Company reached agreement with Alkane Resources Ltd (Alkane) for Alkane to fully acquire a production royalty held by the Company, related to the Tomingley Gold Project. The royalty was surrendered by the Company for the acquisition of 6 million Alkane shares and 4 million options exercisable at $1.50 within 12 months. All of the 6 million Alkane shares were sold during the Reporting Period.

    On 21 January 2013, the Company entered into agreement with HAR and Hunan Nonferrous Metals Corporation Limited (HNC), whereby the Company's repayment obligations from mid-November 2012 under the Secured Bond Deed between the parties were deferred until 1 April 2013. On 10 May 2013, the Company signed a "Patience Letter" with HNC and HAR in relation to further delaying the debt repayment, with HNC and HAR reserving all their rights under the Secured Bond Deed (see "Events Subsequent to Reporting Date" on Page 4). The Company incurs additional interest on overdue amounts, pending final resolution of its debt obligations to HAR and HNC. Negotiations with YA and a third party in relation to the Company's overall debt position are continuing. YA has given assurance to the Company that YA will not exercise their rights under its facilities, to require early repayment of its debt as a result of the Company not having finally resolved its debt obligations to HNC and HAR. Similarly, the former voluntary administrators of the Company have indicated that they will not seek to exercise their rights as Bondholder under the Unsecured Bond Deed.

Key Business Strategies and Future Prospects
The Company went to voluntary administration and voluntary administrators were appointed on 29 January 2009. On 17 February 2009, HAR appointed Receivers and Managers to the Company and Compass Mining Pty Limited (a subsidiary of the Company) pursuant to the joint venture documentation between HNC, Compass Mining Pty Limited and the Company. On 21 May 2009 the creditors of the Company agreed to a 12 month Deed of Company Arrangement (DOCA) (subsequently extended).

Subsequent to the DOCA coming into effect, YA and HAR sought to negotiate terms on which the Company could be reconstructed and return to being a voting member under the three joint venture agreements. Ultimately these negotiations were successful, and the DOCA and the three joint venture agreements were amended to reflect the negotiated outcome.

For the Consolidated Entity's current business activities, please refer to "Principal Activities" on Page 2. The Company's business strategies and prospects for growth in future financial years centre on the Scoping Study referred to above.

Proceedings on Behalf of the Consolidated Entity
During the Reporting Period, no person applied for leave of Court to bring proceedings on behalf of the Consolidated Entity or intervene in any proceedings to which the Consolidated Entity is a party. The Consolidated Entity was not a party to any such proceedings during the Reporting Period.

Remuneration Report
The Remuneration Report is set out on pages 6-8 and forms part of this report.

Environmental Regulation
The Consolidated Entity's operations are subject to environmental regulation under Northern Territory legislation in relation to its exploration and development activities.

With each tenement licence that has been granted to undertake exploration activities, the Company is required to provide a security deposit. This is to ensure that the site is left in the same condition as it was found.

In addition, in respect of the Oxide Mining Operations, the Company was required to prepare a Public Environmental Report (PER) which was subject to public and government review, from which the Northern Territory authorities set environmental regulatory conditions adopted in the Mine Management Plan.

The PER was accepted by the Northern Territory Minister for Natural Resources, Environment and Heritage under the NT Environmental Assessment Act, on 4 May 2006, and by the Commonwealth Department of the Environment and Heritage under the Environment Protection and Biodiversity Conservation Act on 27 June 2006. The Mine Management Plan was approved on 19 August 2006, and supplemented and approved annually.

Non-Audit Services Provided by Auditor
Grant Thornton has not performed any other non-audit services during the Reporting Period.

Auditor's Independence Declaration
The Auditor's Independence Declaration as required under s307c of the Corporations Act 2001 is set out on page 9 and forms part of the Directors' Report.

Dividends
No dividend was paid or declared by the Company during the Reporting Period.

Directors' Interests and Benefits
The relevant interest of each Director in the capital of the Company as notified by the Directors to the Australian Stock Exchange (ASX) as at the date of this report is as follows:

	Shares		Options	
	Direct	Indirect	Direct	Indirect
M. Angelo	-	1,084,380,123	-	-
P. Wood	-	-	-	-
J. Carr	-	-	-	-
D. Gonzalez	-	1,084,380,123	-	-
G. Eicke	-	1,084,380,123	-	-
J. Allen	-	-	-	-
R. Swann	-	100,000	-	-

Share Options

Options granted to key management personnel
No options were granted to key management personnel during or since the end of the Reporting Period.

Share Options Cancelled
At the end of 31 December 2012, unexercised unlisted employee options granted to Mr Richard Swann have been expired.

Shares Issued on Exercise of Options
During or since the end of the Reporting Period, no shares were issued and no options were exercised.

Partly Paid Shares Paid In Full
During or since the end of the Reporting Period, there were no partly paid employee shares reissued as fully paid ordinary shares pursuant to call notices.

Indemnification and Insurance of Officers

Insurance Premiums
During and since the end of the Reporting Period, an insurance premium was paid for indemnification of Directors and Officers of the Company.

Indemnification
During and since the end of the Reporting Period, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person that is or has been an officer or auditor of the Company.

Rounding Off
The Company is of a kind referred to ASIC class order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Significant Changes in the State of Affairs
These are described under the heading 'Principal Activities' on pages 2 and 3.

Events Subsequent to Reporting Date
As stated above, on 21 January 2013, the Company entered into a "Forbearance Letter" with HAR and HNC, whereby certain monthly repayments by the Company to HAR and HNC under the Secured Bond Deed would be delayed until 1 April 2013 together with a standstill fee. However, on 1 April 2013 the Company failed to meet the repayment obligation, but on 10 May 2013, the Company signed a "Patience Letter" with HNC and HAR in relation to further delaying the debt repayment, with HNC and HAR reserving all their rights under the Secured Bond Deed. The rights reserved by HNC and HAR include: 1) HNC and HAR's right to declare that all monies owing to them under the Secured Bond Deed are due and payable in accordance with clause 7.3 of the Secured Bond Deed; 2) HNC and HAR's right to declare that Compass is a "Defaulting Joint Venturer" for the purposes of each of the Joint Venture Agreements; and 3) HNC and HAR's right to enforce the security which has been granted to them by Compass. In addition, the Company incurs additional interest on overdue amounts, pending final resolution of its debt obligations to HAR and HNC. Also, both YA and the Bondholder have agreed not to exercise their rights to require early repayment under the facilities that YA has provided to the Company and the Unsecured Bond Deed respectively.

Future Developments
The Company is working toward a restructuring of its balance sheet and consequent ASX re-listing, with a view to eventually repositioning the Company as a significant mining and exploration company in Australia.

The Company has the support of YA by way of the deeds of facility between the Company and YA.

Signed in accordance with a resolution of the Directors.

Philip R Wood
Chief Executive Officer
& Executive Director
Sydney
21 June 2013

This report outlines the remuneration arrangements in place for directors and executives of the Company.

Principles of compensation
Remuneration of directors and executives is referred to as compensation as defined in AASB 124 *Related Party Disclosures*.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated Entity, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives for the Company and the Consolidated Entity.

Compensation levels for key management personnel and secretaries of the Company and relevant key management personnel of the Consolidated Entity are competitively set to attract, motivate and retain appropriately qualified and experienced directors and executives.

The Board decides on the appropriateness of compensation packages of both the Company and Consolidated Entity given trends in comparative companies and the objectives of the Company's compensation strategy.

Compensation packages include a mix of fixed and variable compensation and short / long-term performance based incentives.

In addition to their salaries, the Consolidated Entity also provides non-cash benefits to its key management personnel.

Remuneration Committee
The Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors and the senior management team. There is presently no Remuneration Committee.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Remuneration structure
In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Non-executive director remuneration
The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure
The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 22 May 2008 when shareholders approved an aggregate remuneration of $750,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each non-executive director either receives a fee for being a director of the Company or, if other services are provided, under a consultancy agreement. An additional fee may be payable for each board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub committees. However, there are presently no board committees.

The remuneration of non-executive directors for the year ended 31 December 2012 is detailed in this report.

Senior manager and executive director remuneration
The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:
- reward executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Remuneration consists of the following key elements:
- Fixed Remuneration
- Performance linked remuneration

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each senior manager by the Board. Details of the remuneration of all of the senior managers are presented in this report.

Fixed Remuneration

Objective
The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Board of Directors and the process consists of a review of Companywide, business unit and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices.

Until the Company re-capitalises, the Company has no ability for shareholder wealth to be assessed.

Structure
Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

The fixed remuneration component of all of the senior managers is detailed in this report.

Performance-linked remuneration
Performance-linked remuneration includes both short-term and long-term incentives and is designed to reward executive directors and senior executives for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an “at risk” bonus provided in the form of cash, while the long-term incentive (LTI) is provided as shares or options in the Company.

Variable Remuneration - Short Term Incentive (STI)

Objective
The objective of the STI plan is to reward senior managers and other employees in a manner which recognises achievement of key performance indicators as determined by the Board.

Structure
STI to executives are delivered in the form of cash.

Variable Remuneration - Long Term Incentive (LTI)

Objective
The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth.

As such LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant long term performance hurdle.

The Board shall also determine the number of options which each staff member shall be invited to acquire in accordance with the LTI plan.

Structure
LTI grants to executives are delivered in the form of options.

The following vesting schedule will apply to grants made under the LTI plan:

1st anniversary after grant date	33.3%
2nd anniversary after grant date	33.3%
3rd anniversary after grant date	33.4%

Service agreements
Mr Richard Swann was employed on 21 August 2006 and appointed Managing Director of the Company on 9 October 2006. Mr Swann’s contract has an initial term of three years and was extended by mutual agreement on the 21 August 2009 and 3 February 2011. Mr Swann resigned as Managing Director and Director on 29 June 2012.

The Company entered into a service agreement with Neil Guest as Chief Financial Officer on 1 December 2007. Mr Guest’s service agreement was extended until 2 February 2011. After this date, Mr Guest was engaged as a consultant to the Company and resigned from this role on 13 January 2012.

The Company entered into a service agreement with Garry Johansen as General Manager of Exploration on 17 June 2008. This service agreement expired on 2 February 2011 and on the 3 February 2011 the Company engaged Mr Johansen as a consultant to advise the Company where appropriate.

Mr Philip Wood was appointed as a Non-executive Director of the Company on 28 June 2012. Mr Wood entered into an Executive Employment Agreement as Chief Executive Officer and Executive Director of the Company on 21 August 2012.

Key Management Personnel Compensation
The following were key management personnel of the Consolidated Entity at any time during the Reporting Period.

Non-executive Directors:
Mr J. Carr
Mr D. Gonzalez
Mr G. Eicke
Mr M. Angelo
Mr J. Allen

Executive Directors:
Mr J. Carr (Managing Director, appointed July 2012)
Mr P. Wood (Chief Executive Officer and Executive Director, appointed 21 August 2012)
Mr R. Swann (Managing Director, appointed 9 October 2006, resigned 29 June 2012 and continued as a corporate consultant until November 2012)

Executives:
Mr N. Guest (Chief Financial Officer, appointed 1 December 2007, Company Secretary appointed 1 February 2008, resigned January 2012 and continued as an accounting consultant until June 2012)
Mr G. Johansen (Consulting Geologist)
Mr T. Bloomfield (Company Secretary, appointed January 2012)

Director and key management remuneration for the year ended 31 December 2012

Details of the nature and amount of each major element of remuneration of each director of the Company and key management who receive the highest remuneration are:

		Short-term employee benefit			Post-employment benefit		Long-term Benefits	Equity-settled share based payments		Total
		Salary & fees	Profit share and bonuses	Non-monetary others	Pension & super-annuation	Others		Shares/ units	Options/ rights	
Non-Executive Directors										
Mr J Carr	**2012**	-	-	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-	-	-
Mr D Gonzalez	**2012**	-	-	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-	-	-
Mr G Eicke	**2012**	-	-	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-	-	-
Mr M Angelo	**2012**	-	-	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-	-	-
Mr J Allen*	**2012**	**105,000**	-	-	-	-	-	-	-	**105,000**
	2011	-	-	-	-	-	-	-	-	-
Excecutive Directors										
Mr P Wood	**2012**	**83,333**	-	-	**7,500**	-	-	-	-	**90,833**
	2011	-	-	-	-	-	-	-	-	-
Mr R Swann†	**2012**	**274,756**	-	-	-	-	-	-	-	**274,756**
	2011	131,109	-	-	-	-	-	-	-	131,109
Key Management										
Mr T Bloomfield**	**2012**	**34,532**	-	-	-	-	-	-	-	**34,532**
	2011	-	-	-	-	-	-	-	-	-
Mr G Johansen††	**2012**	**99,000**	-	-	-	-	-	-	-	**99,000**
	2011	106,763	-	-	1,968	-	-	-	-	108,731
Mr N Guest†	**2012**	**79,073**	-	-	-	-	-	-	-	**79,073**
	2011	135,948	-	-	2,476	-	-	-	-	138,424
	Total 2012	**675,694**	-	-	**7,500**	-	-	-	-	**683,194**
	Total 2011	373,820	-	-	4,444	-	-	-	-	378,264

* Included in this amount is corporate advisory fee of $75,000 paid to Carlisle Partners Pty Limited, a company in which Mr Allen is a Director.

† Effective from 3 February 2011, CMR entered into service agreements with Mr Swann and Mr Guest. In 2012, Mr Swann and Mr Guest received service fees of $274,756 and $79,073 respectively. Mr Swann resigned 29 June 2012 and Mr Guest resigned 13 January 2012.

** This payment related to corporate services was paid to Boardroom Pty Limited, in which Mr Bloomfield is an employee.

†† Included in this amount is consulting fee of $99,000 paid to G F Johansen & Associates, a company in which Mr Johansen is a Director.

Fair values of options:
No options have been issued to Directors or Key Management Personnel during the Reporting Period.

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Auditor's Independence Declaration
To the Directors of Compass Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Compass Resources Limited for the year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Partner - Audit & Assurance

Perth, 21 June 2013

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2012

		Consolidated Group	
		2012	2011
	Notes	$'000's	$'000's
Income	4	**1,571**	57,511
Finance income	6	**12**	33
Income		**1,583**	57,544
Employee benefits expense		**(64)**	(26)
Legal and professional expenses		**(1,353)**	(734)
Loss on sale of Alkane shares		**(938)**	-
Loss on asset disposals		**(61)**	-
Loss on tenement disposals		**(712)**	-
JV operating expenditure	5	**(1,146)**	(3,958)
Tenement expenditure		-	(449)
Adjustment due to re-instatement in JV's	12	**(4,051)**	(25,233)
Finance costs	6	**(5,519)**	(2,099)
Inventory impairment	7	**(1)**	(1,880)
Administrators fees and disbursements		**(33)**	(616)
Other corporate and administration expense		**(409)**	(481)
Profit/(loss) before income tax		**(12,704)**	22,068
Income tax expense	8	-	-
Profit/(loss) for the period		**(12,704)**	22,068
Other comprehensive income for the year		-	-
Other comprehensive income for the year net of tax		**(12,704)**	22,068
Total profit/(loss) and other comprehensive income for the year		**(12,704)**	22,068
Attributable to:			
Equity holders of the parent		***(12,704)***	*22,068*
Basic earnings/(loss) per share	*17*	***(0.91 cents)***	*7.28 cents*
Fully diluted earnings/(loss) per share	*17*	***(0.91 cents)***	*7.28 cents*

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	Consolidated Group 2012 $'000's	2011 $'000's
Assets			
Current assets			
Cash and cash equivalents	9	1,848	3,029
Current receivables	10	473	108
Assets held for sale	11	-	5,000
Other assets		166	188
Total current assets		2,487	8,325
Non-current assets			
Non currrent receivables	10	20	94
Property, plant and equipment	12	44,837	48,970
Deferred exploration and evaluation costs	13	32,581	31,505
Total non-current assets		77,438	80,569
Total assets		79,925	88,894
Liabilities			
Current liabilities			
Trade and other payables	14	728	479
Loans and borrowings - current	15	58,049	15,850
Deferred revenue	13	4,248	4,248
Total current liabilities		63,025	20,577
Non-current liabilities			
Restoration provision		1,364	1,364
Loans and borrowings - non current	15	-	38,713
Total non-current liabilities		1,364	40,077
Total liabilities		64,389	60,654
Net assets		15,536	28,240
Equity			
Issued capital	16	202,425	202,425
Reserves	16	15,354	15,354
Accumulated losses		(202,243)	(189,539)
Total equity attributable to equity holders of the parent		15,536	28,240
Total equity		15,536	28,240

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	Consolidated Group 2012 $'000's	2011 $'000's
Cash flows from operating activities			
Cash received from customers		-	7,462
Cash paid to suppliers and employees		(2,654)	(5,438)
Cash used in operations		(2,654)	2,024
Interest received		12	33
Net cash from/(used in) from operating activities	23	(2,642)	2,057
Cash flows from investing activities			
Purchase of property, plant and equipment		(36)	-
Proceeds from royalty		201	-
Proceeds from sale of Alkane shares		5,482	-
Refund of security deposit		63	-
Proceeds from sale of PP&E		56	-
Payments / receipts for exploration and evaluation expenditure		(2,273)	(550)
Net cash from/(used in) investing activities		3,493	(550)
Cash flows from financing activities			
Payment of borrowings		(2,502)	(2)
Proceeds from borrowings		470	-
Net cash from/(used in) financing activities		(2,032)	(2)
Net decrease in cash and cash equivalents		(1,181)	1,505
Cash and cash equivalents, beginning of period		3,029	1,524
Cash and cash equivalents, end of period	9	1,848	3,029

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the year ended 31 December 2012

Consolidated Group	Share capital $'000's	Share option reserve $'000's	Retained earnings $'000's	Total $'000's
Balance at 1 January 2012	**202,425**	**15,354**	**(189,539)**	**28,240**
Total loss for the period	-	-	**(12,704)**	**(12,704)**
Other comprehensive profit/(loss) for the period	-	-	-	-
Balance at 31 December 2012	**202,425**	**15,354**	**(202,243)**	**15,536**
Balance at 1 January 2011	152,171	15,354	(211,607)	(44,082)
Total loss for the period	-	-	22,068	22,068
Other comprehensive profit/(loss) for the period	-	-	-	-
Issue of ordinary shares	50,254	-	-	50,254
Balance at 31 December 2011	202,425	15,354	(189,539)	28,240

The accompanying notes form part of these financial statements.

1. Reporting entity

Compass Resources Limited (the “Company”) is a company domiciled in Australia. The address of the Company’s registered office is Suite 2, Level 15, 3 Spring Street, Sydney, NSW, 2000.

This financial report includes the consolidated financial statements and notes of Compass Resources Limited and controlled entities ("Consolidated Group” or “Group”). The separate financial statements and notes of Compass Resources Limited as an individual parent entity, Compass Resources Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001.*

The financial statements were approved by the Board of Directors with effect on 12 June 2013.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated. The Company is a for-profit entity for the purpose of preparing financial statements under Australian Accounting Standards.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Going concern

The financial report has been prepared on the going concern basis.

The consolidated entity has reported a loss for the period of $12.7mil (2011: profit of $22.1mil) and a cash outflow from operating activities of $2.6mil (2011: a cash inflow of $2.1mil). The current liabilities exceed current assets by $60.5mil (2011:$8.0mil).

With continued funding supported by the lenders, the Directors are confident that the Consolidated Entity will be able to continue its operations as a going concern. However, the above conditions indicate the existence of a material uncertainty which may cast significant doubt about the Consolidated Entity’s ability to continue as a going concern and therefore the Consolidated Entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. Please also refer to “Events Subsequent to Reporting Date” on Page 33.

(c) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Company’s functional currency and the functional currency of the majority of the Group. The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with the Class Order, all financial information presented in Australian dollars has been rounded to nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about impairments, considered to be a significant area of estimation uncertainty and critical judgements made has been included in Notes 3(i) and 3(x).

3. Significant accounting policies

The accounting policies, set out below, have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiary
Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

A list of controlled entities is listed in Note 25 to the financial statements.

(ii) Transactions eliminated on consolidation
Intragroup balances and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(b) Jointly controlled operations and assets

The interest of the Company and of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising, in its financial statements, the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(c) Foreign currency

(i) Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation.

(ii) Foreign operations
Foreign currency differences are recognised directly in equity.

(d) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Financial assets and financial liabilities are measured initially at fair value adjusted by transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

(i) Financial assets
For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:
- loans and receivables
- financial assets at fair value through profit or loss
- held-to-maturity investments
- available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', 'finance income' or 'other financial items', except for impairment of trade receivables which is presented within 'other expenses'.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

(iii) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

(iv) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Group has the intention and ability to hold them until maturity.

Held-to-maturity investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

(v) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All other available-for-sale financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

(vi) Financial liabilities
The Group's financial liabilities include borrowings, trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

(vii) Derivative financial instrument
A specific accounting treatment is required for derivatives designated as hedging instruments in cash flow hedge relationships. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness. All other derivative financial instruments are accounted for at fair value through profit or loss.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur or if the hedging instrument becomes ineffective, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss.

(e) Share capital

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

(f) Property, plant and equipment

(i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

(ii) Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(g) Intangible assets

(i) Exploration and Evaluation
Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on a project by project basis pending determination of the technical feasibility and commercial viability of the project. The capitalised costs are presented as either tangible or intangible exploration assets according to the nature of the assets acquired. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where the

activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When a licence is relinquished or a project abandoned, the related costs are recognised in profit and loss immediately.

(ii) Research and Development
Development costs are capitalised upon the consolidated entity demonstrating (i) the technical feasibility of completing the development so that it will be available for use and (ii) how the development costs will generate probable future economic benefits.

Exploration, evaluation and development assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. (See impairment accounting policy (i)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units where the exploration activity relates. The cash-generating unit shall not be larger than the area of interest.

When production commences, carried forward exploration, valuation and development costs will be amortised to the Statement of Profit or Loss and Other Comprehensive Income on a units of production basis over the life of the economically recoverable reserves.

(h) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's Statement of Financial Position.

(i) Impairment

The carrying amounts of the Group's non-financial assets, other than exploration and evaluation assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Non-current assets classified as held for sale

When the Group intends to sell a non-current asset and if sale within 12 months is highly probable, the asset is classified as "held for sale" and presented separately in the statement of financial position.

Assets classified as "held for sale" are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. Once classified as "held for sale", the assets are not subject to depreciation or amortisation.

(k) Employee benefits

(i) Long-term employee benefits
Defined contribution superannuation funds
Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

Other long-term employee benefits
The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on Commonwealth Government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(ii) Short term benefits
Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share-based payment transactions
The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of employee stock options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Dismantling and rehabilitation
Provision is made for close-down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) at the end of mine life in the accounting period when the obligation arises, based on the estimated future costs. At the time of establishing the provision, a corresponding asset is recognised (where it gives rise to a future benefit) and is depreciated.

(m) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(n) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(q) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(s) Segment reporting

In identifying its operating segments, management generally follows the Group's main operation, which represents the only service provided by the Group.

The Group has only one material segment, being the mineral exploration and development segment in Australia.
This operating segment is managed solely by the Group.

The measurement policies the Group uses for segment reporting under AASB 8 are the same as those used in its financial statements.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

(t) Revenue recognition

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Royalties received for the use of the Company’s tenements are recognised on an accrual basis in accordance with the substance of the relevant agreement.

All revenue is stated net of the amount of goods and service tax (GST).

(u) Borrowing costs

Borrowing costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they are incurred.

(v) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(w) New standard and interpretations not yet adopted

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group’s financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

AASB 9 Financial Instruments (effective from 1 January 2015)
The AASB aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

Consolidation Standards
A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have assessed the impact of these new and revised standards on the Group's consolidated financial statements.

AASB 10 Consolidated Financial Statements (AASB 10)
AASB 10 replaces AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same. There will be no impact on the Company's consolidation and financial statements.

AASB 11 Joint Arrangements (AASB 11)
AASB 11 supersedes AASB 131 Interests in Joint Ventures (AASB 131). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method, which is currently used for investments in associates. The directors believe that there will be no impact on transactions and balances recognised in the financial statements since the Browns Project is treated as a joint venture operation according to the joint venture agreements. Details of these balances are disclosed in Note 13 to the financial statements.

AASB 13 Fair Value Measurement (AASB 13)
AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. This will impact the Company and require the Company to make extra disclosures.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income
AASB 2011-9 requires an entity to group items presented in other comprehensive income into those that, in accordance with other Australian Accounting Standards: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

AASB 119 (September 2011)
The revised version of AASB 119 includes a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans. They:

- eliminate the 'corridor method', requiring entities to recognise all gains and losses arising in the Reporting Period
- streamline the presentation of changes in plan assets and liabilities
- enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The amended version of AASB 119 is effective for financial years beginning on or after 1 January 2013. These amendments will have no significant impact on the entity.

(x) Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement
The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Proportion of ownership of the Browns Oxide Project Plant (the Plant)
Under the terms of the Browns Oxide Project Joint Venture, ownership of the Plant is shared between the JV parties in proportion to their respective cash contributions. In early 2013, this proportion has been recalculated according to the management's best estimate and this has resulted in the Company and HNC respectively owning 61% and 39% of the Plant. The value of the Plant on the Company's statement of financial position has been adjusted and the Company's carrying value of Mining and Processing Equipment has been further reduced by $4.1mil to reflect this portion. (Refer to Note 12). The percentage of the Plant ownership is still a best estimate, although the Company is not aware of any disagreement from HNC and the proportion of the Plant has not yet been finalised.

Recognition of deferred tax assets
The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions. There are a number of transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Current tax liabilities and assets are recognised at the amount expected to be paid to or recovered from the taxation authorities.

Impairment
An impairment loss is recognised for the amount by which the asset's terminal value or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, the Directors sought valuations of the assets by independent valuators to estimate the present value of the assets. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year. Please also refer to Note 12 and Note 13.

	Consolidated Group	
	2012	2011
	$'000's	$'000's
4. Income		
Receipt of security bond	-	70
Forgiveness of debt*	-	23,082
Forgiveness of cash contributions by HAR**	-	21,092
CMR cash call write-back†	-	13,042
Profit from sale of Alkane royalty	**1,420**	-
Royalty income	**151**	-
Miscellaneous income	-	225
	1,571	57,511

* As one of the completion terms of the DOCA, the loan balances due to Coffee House Group and Cornell Corporation which amounted to approximately $73.3mil was fully settled with the issuance of shares at approximately $50.3mil resulting in the gain of $23mil in 2011.

** This is contributed by write-back of the cash call expenditures since the Company came out of the Voluntary Administration on 15 November 2012.

† Subsequent to the completion of the DOCA in 2011, the Company resumes its 50% participating share of the Brown Project Joint Ventures. The gain reflects write-back of the previous CMR's cash calls being written-off during the voluntary administration.

	2012	2011
5. JV operating expenditure		
Interest on called sums that CMR has failed to pay and which have been the subject of Contribution Notices paid by HAR	-	420
Care and maintenance expenses	**1,146**	3,538
	1,146	3,958
6. Finance income and expenses		
Interest income	**12**	33
Finance expenses		
Interest expense on financial liabilities	-	5
Interest expense on borrowings	**5,518**	685
JV interest in regards to forgiveness for the cash calls of HAR	-	1,409
Other finance expenses	**1**	-
	5,519	2,099
Net finance expenses	**(5,507)**	(2,066)
7. Joint venture inventory impairment		
Inventory - Stockpiles	-	1,504
Inventory - Stores	**1**	376
	1	1,880

	Consolidated Group	
	2012	2011
	$'000's	$'000's

8. Income tax expense in the income statement

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of Compass Resources Limited at 30% (2011: 30%) and the reported tax expense in profit or loss are as follows:

	2012	2011
(a) The components of income tax expense comprise:		
Current income tax		
Current income tax charge	-	8,089
Recognition of previously unused tax losses	-	(8,089)
Deferred tax	**(14,461)**	(8,192)
Deferred tax not recognised	**14,461**	8,192
	-	-
(b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
(Loss)/Profit before tax	**(12,704)**	22,068
Domestic tax rate for Compass Resources Limited	**30%**	30%
Prima facie tax (benefit)/expense	**(3,811)**	6,620
Deferred tax assets not recognised	**7,606**	-
Recognition of temporary differences	**(3,795)**	1,468
Recognition of previously unused tax losses	-	(8,089)
Income tax expense /(benefit)	-	-

The taxation benefits will only be obtained if:

(a) the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;

(b) the Consolidated Entity continues to comply with the conditions for deductibility imposed by law; and

(c) no changes in tax legislation adversely affect the consolidated group in realising the benefits from the deductions for the loss.

The Company will need to consider professional taxation advice in the future as to the availability of such losses having regard to the Creditor's Trust and other pertinent issues.

	Consolidated Group 2012 $'000's	Consolidated Group 2011 $'000's
9. Cash and cash equivalents		
Cash at bank	**524**	1,705
Restricted cash	**1,324**	1,324
Cash and cash equivalents	**1,848**	3,029

Restricted cash represents the environmental bond held by the bank which is under administration of the NT state government.

10. Receivables		
Current receivables		
Receivables	**473**	1,925
Provision for impairment	-	(1,817)
	473	108

The receivables have been reviewed for indicators of impairment and they are collectable within 6 months.

Non-current receivables		
Receivables	**20**	512
Provision for impairment	-	(418)
	20	94

11. Assets classified as held for sale

The carrying amount of asset is summarised as follows:		
Non current assets		
Exploration, evaluation and development costs*	-	5,000
Assets classified as held for sale	-	5,000

* This is related to sale of royalty over Tomingley Gold Project in April 2012.

	Consolidated Group	
	2012	2011
	$'000's	$'000's
12. Property, plant and equipment		
Land		
At cost	**1,845**	1,845
Accumulated depreciation	-	-
Accumulated impairment losses	**(345)**	(345)
Total land	**1,500**	1,500
Office equipment		
At cost	**1**	2,498
Accumulated depreciation	-	(1,232)
Accumulated impairment losses	-	(1,240)
Total office equipment	**1**	26
Fixture and fittings		
At cost	-	101
Accumulated depreciation	-	(70)
Accumulated impairment losses	-	(31)
Total fixture and fittings	-	-
Mining and processing equipment		
At cost	**147,594**	147,651
Accumulated depreciation	**(3,649)**	(3,649)
Accumulated impairment losses	**(71,325)**	(71,325)
Adjustment due to re-instatement in JV's*	**(29,284)**	(25,233)
Total mining and processing equipment	**43,336**	**47,444**
Total property, plant and equipment	**44,837**	**48,970**

* In June 2011, GraysAsset provided a fair market calculation on the Browns Oxide Project. Under the terms of the Browns Oxide Project Joint Venture, ownership of the Plant is shared between the JV parties in proportion to their respective cash contributions. In early 2013, this proportion has been recalculated according to the management's best estimate and this has resulted in the Company and HNC respectively owning 61% and 39% of the Plant. The value of the Plant on the Company's statement of financial position has been adjusted and the Company's carrying value of Mining and Processing Equipment has been further reduced by $4.1mil to reflect this portion. The percentage of the Plant ownership is still a best estimate, although the Company is not aware of any disagreement from HNC and the proportion of the Plant has not yet been finalised.

12. Property, plant and equipment (continued)

Reconciliations of carrying amounts at the beginning and end of the period

	Consolidated Group			
	Land	Office equipment	Mining & processing	Total
	$'000's	$'000's	$'000's	$'000's
Balance at 1 January 2012	**1,500**	**26**	**47,444**	**48,970**
Additions	-	**1**	**35**	**36**
Disposals	-	**(26)**	**(92)**	**(118)**
Depreciation charge for the year	-	-	-	-
Adjustment due to re-instatement in JV's	-	-	**(4,051)**	**(4,051)**
Balance at 31 December 2012	**1,500**	**1**	**43,336**	**44,837**
Balance at 1 January 2011	1,500	26	71,904	73,430
Additions	-	-	773	773
Disposals	-	-	-	-
Depreciation charge for the year	-	-	-	-
Adjustment due to re-instatement in JV's	-	-	(25,233)	(25,233)
Balance at 31 December 2011	1,500	26	47,444	48,970

	Consolidated Group	
	2012	2011
	$'000's	$'000's

13. Exploration and evaluation expenditure

	2012 $'000's	2011 $'000's
Mining development – mining reserves acquired	**27,625**	25,696
Mining development – capitalised exploration	**17,676**	16,671
Write-off of tenements relinquished	**(712)**	-
Care and maintenance expenditure transferred to P&L	**(3,548)**	(2,402)
Provision for impairment of mining development†	**(8,460)**	(8,460)
	32,581	31,505

Costs carried forward in respect of areas of interest in the exploration and/or evaluation is as follows.

	2012 $'000's	2011 $'000's
Opening balance, at costs	**31,505**	27,394
Expenditure incurred in current period	**2,934**	11,513
Write-off of tenements relinquished	**(712)**	-
Care and maintenance expenditure transferred out	**(1,146)**	(2,402)
Royalty transferred to asset held for sale^	-	(5,000)
	32,581	31,505

† On 29 January 2009, the Consolidated Entity went into Administration, as a result of which the Directors needed to consider if any of the assets were impaired. The Directors sought valuations of the assets. AMC Consultants Pty Ltd provided the fair market calculation on the tenements originally obtained during April 2010 and subsequently updated during June 2011. The valuation received from AMC valued the assets at a range of $49.6m to $75.9m but the Directors believed a more conservative valuation was appropriate.

^ The Alkane Royalty (Tomingley Gold Project) was subsequently sold in April 2012 at an amount in excess of its current carrying value. Please refer to Note for details.

13. Exploration and evaluation expenditure (continued)

Interest in joint venture operations

Jointly controlled assets

The Group, jointly with other participant, owns the exploration and production assets of the Browns Project. The Group's share is 50%, other than the Brown's Oxide plant which is at 61% (refer to Note 12).

Summarised financial statement information for the Group's share of jointly controlled assets and the operations is disclosed below:

	Consolidated Group	
	2012	2011
	$'000's	$'000's
Interest in joint ventures - jointly controlled assets		
Current assets		
Cash and cash equivalents	**1,725**	1,164
Current receivables	**40**	53
Other assets	**129**	189
	1,894	1,406
Non-current assets		
Non currrent receivables	-	11
Property, plant and equipment	**714**	773
Deferred exploration, evaluation and development costs	**10,381**	11,513
	11,095	12,297
Current liabilities		
Trade and other payables	**352**	420
Deferred revenue*	**4,248**	4,248
	4,600	4,668

* This is due to more cash call contributions made by the Company's Joint Venture partner HAR than CMR according to the original Sulphide and Exploration Joint Venture Agreements.

Net jointly controlled asset value as at 31 December 2012 is $8.4mil (2011: $9.0mil).

The Consolidated Entity has entered into joint ventures for the purpose of mineral exploration and as follows:

Browns/Browns East/Area 55/ Mt. Fitch Projects - NT
The Company (90%) and its wholly owned subsidiary Guardian Resources Pty. Ltd. (10%) hold 100% of these projects. These projects are subject to the Company's agreements with Hunan Nonferrous Metals Corp covering the Oxide Mining Joint Venture, the Sulphide Mine Development Joint Venture, the Regional Exploration Joint Venture, under which each party will hold a 50% joint venture interest.

The respective interests are also subject to Cameco (Australia) Pty. Ltd's 3% Net Profits Interest on certain tenements, and Anglo Gold Ltd's Net Smelter Return entitlement of 1% or 3% on certain tenements (excluding the Browns tenements).

Batchelor Iron Ore - NT
Under an agreement with the Company (90%) and its wholly owned subsidiary Guardian Resources Pty. Ltd. (10%), Territory Resources Ltd. will test the iron ore mining potential of and, if positive, mine iron ore in sections of ERL125, ERL 146 and ML N1163 north of the Browns Leases. Under the agreement Territory has paid the Company/Guardian Resources $150,000 in 2004 and annually pays $50,000 pending a development decision or withdrawal. These payments are non-refundable advances against the purchase by Territory of ore ex-mine gate at $1 per tonne plus or minus an adjustment for ore grades more or less than 60% iron.

Cuttaburra/Yancannia - NSW
The Company holds this project subject to an agreement with Bohuon Resources Pty. Ltd., whereby the Company will pay a success fee in the event of mine development, equivalent to a 3% Net Profits Interest or $3 million, at the Company's election. The Yancannia tenements were relinquished during the Reporting Period.

Nangali - Peru
The Company acquired a 70% interest and Indo Mines Ltd (formerly AKD Ltd.), a 30% interest in the Nangali gold project from

13. Exploration and evaluation expenditure (continued)

Jointly controlled assets (continued)
Newmont's Peruvian subsidiary. The Company and Indo Mines proportionally contributed to the Nangali acquisition of US$180,000 plus a 1.5% royalty on future commercial production.

Included in the assets of the Company and the Group are mining tenements which represent the Company and consolidated entities interest in the assets and liabilities in the Joint Ventures.

West Finness – North and South Projects – NT
Mr John Anthony Earthrowl and the Consortium, the registered owners of Exploration Licence 23677 and 23722 ("the Project Area") in the Batchelor region of the Northern Territory entered an agreement with the Company providing for the Company to acquire an interest in the project. Currently, the Company owns 70% of the interest of the Project Area. Future expenditure will be correlated with the further mineral exploration of the Project Area.

Current status of joint venture operations
For the current status of operational activities relating to the JV interests mentioned above, please refer 'Principal Activities' in the Directors' Report.

	Consolidated Group	
	2012	**2011**
	$'000's	**$'000's**
14. Trade and other payables		
Trade creditors and accruals	**465**	410
Employee benefits	**127**	21
Other payables	**136**	48
	728	479
15. Loans and borrowings		
Current liabilities		
Borrowing - Hunan Nonferrous Metals Corporation Limited*	**10,869**	6,240
Borrowing - HNC (Aus) Resources Pty Limited†	**13,034**	9,610
Borrowing - Yorkville Advisors Global Investments L.P.^	**31,805**	-
Borrowing - Trustee Bond#	**2,341**	-
	58,049	15,850
Non-current liabilities		
Borrowing - Hunan Nonferrous Metals Corporation Limited*	-	8,515
Borrowing - HNC (Aus) Resources Pty Ltd†	-	10,391
Borrowing - Yorkville Advisors Global Investments L.P.^	-	17,807
Borrowing - Trustee Bond#	-	2,000
	-	38,713
Total loans and borrowings	**58,049**	54,563

*The loan from Hunan Nonferrous Metals Corporation Ltd is secured by a bond over the Company's JV interests in the JV between the two companies and bears interest at 10% per annum. The principal amount is repayable in 30, equal monthly, instalments and the cumulative interest upon maturity at the end of the 30 month period.

†The loan from HNC (Australia) Resources Pty Ltd is secured by a bond over the Company's JV interests between the two companies and the Company and bears interest at 10% per annum. The principal amount is repayable in 30, equal monthly, instalments and the cumulative interest upon maturity is payable at the end of the 30 month period.

^The loan from Yorkville Advisors Global Investments L.P. is secured by a fixed and floating charge over all the assets of the Company. This charge ranks third in relation to the Company's JV interests (after Hunan Nonferrous Metals Corporation Ltd and HNC (Australia) Resources Pty Ltd) and first in relation to all other assets. The loan bears interest at 10% per annum and is repayable upon the first to occur of:
- Three years from the termination date of the Further Revised Deed of Company Arrangement (15 November 2011); and
- 6 months after the Oxide JV becomes cash flow positive for a period of not less than 3 consecutive months or substantial progress is made with respect to the sulphide JV.

15. Loans and borrowings (continued)

#The bond was issued to the Trustee of the CMR Creditors Trust, for the benefit of the creditors of the Company. The bond is unsecured. The current interest rate is 10% per annum with a term of 3 years.

In view of the matters referred to in Note 29 'Subsequent events', the Directors have determined that it is appropriate that all of the Loans and Borrowings Liabilities should be categorised as Current Liabilities.

Borrowings of the Group are payable as follows:

	Principal	Interest	Total Loan payments	Principal	Interest	Total Loan payments
	2012	2012	2012	2011	2011	2011
	$'000's	$'000's	$'000's	$'000's	$'000's	$'000's
Less than 1 year	**57,345**	**704**	**58,049**	15,850	-	15,850
Between 1 and 5 years	-	-	-	38,028	685	38,713
	57,345	**704**	**58,049**	53,878	685	54,563

Please also refer to Note 29 Subsequent Events for further information.

	Consolidated Group	
	2012	2011
	$'000's	$'000's

16. Issued capital and reserves

Share capital issued		
1,401,007,911 (2011:1,401,007,911) ordinary shares in issue	**202,425**	202,425
Total share capital in issue	**202,425**	202,425

	Number of Ordinary shares	
	2012	2011
In number of shares		
On issue at 1 January	**1,401,007,911**	144,666,731
Issued in terms of Deed of Company Arrangement	-	1,256,341,180
On issue at 31 December – fully paid	**1,401,007,911**	1,401,007,911

The share capital of the Company consists of only ordinary shares with no par value, the holders of which are entitled to receive dividends as declared from time to time and are entitled to vote, per share, at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

During the year, no fully paid ordinary shares were issued. In 2011, 1,256,341,180 fully paid ordinary shares were issued in terms of the Deed of Company Arrangement.

Option Reserve
The Option Reserve represents the value of shares held by an entity compensation plan that the Group is required to include in the consolidated financial statements. For further information relating to share options refer to Note 18.

Dividends
No dividends were paid or declared in 2012.

17. Earnings per share

The calculation of basic and diluted earnings per share at 31 December 2012 was based on the loss attributable to ordinary shareholders of $12.7mil (2011: profit of $22.1mil).

	Consolidated Group	
	2012	2011
	$'000's	$'000's
Profit/(loss) attributable to ordinary shareholders		
Loss for the period	**(12,704)**	22,068
Profit/(Loss) per share		
Basic earnings/(loss) per share	**(0.91 cents)**	7.28 cents
Weighted average number of shares ('000)	**1,401,008**	302,999
Fully diluted earnings/(loss) per share	**(0.91 cents)**	7.28 cents
Weighted average number of shares ('000)	**1,401,008**	302,999

18. Share-based payments

On 1 May 2005 the Group established a share option programme that entitles key management personnel and senior employees to purchase shares in the entity.

No directors or key management personnel were holding share options and no share options were granted during the Reporting Period.

	Weighted average exercise price 2012	Number of options 2012	Weighted average exercise price 2011	Number of options 2011
In number of options				
Outstanding at 1 January	-	-	$4.48	4,240,000
Forfeited during the period	-	-	$4.48	(4,240,000)
Exercised during the period	-	-	-	-
Granted during the period	-	-	-	-
Outstanding at 31 December	-	-	-	-
Exercisable at 31 December	-	-	-	-

19. Financial instruments and capital management strategies

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. The Board of Directors has overall responsibility for the Group's risk management. The Board of Directors oversees how management monitors compliance with Group's risk management policies and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Statement of Financial Position.

Liquidity Risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Interest rate risk

The Group does not have significant exposure to interest rates at the reporting date as the interest bearing liabilities are fixed rate loans.

19. Financial instruments and capital management strategies (continued)

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Effective interest rates and repricing analysis
In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the end of the Reporting Period and the periods in which they reprice.

2012 Consolidated Group	Note	Effective interest rate	Total $'000's	6 months or less $'000's	6 - 12 months $'000's	1 - 5 years $'000's
Cash and cash equivalents	9	1.00%	524	524	-	-
Security deposits	9	4.88%	1,324	-	-	1,324
Borrowing - HNC (Aus) Resources Pty Ltd	15	10.00%	10,869	3,980	6,889	-
Borrowing - Hunan Nonferrous Metals Corporation Ltd (HNC)	15	10.00%	13,034	6,092	6,942	-
Borrowing - Yorkville Advisors Global Investments LP	15	10.00%	31,805	-	31,805	-
Borrowing - Trustee Bond	15	10.00%	2,341	-	2,341	-
2011 Consolidated Group						
Cash and cash equivalents	9	1.00%	3,029	3,029	-	-
Security deposits	10	4.88%	94	-	-	94
Borrowing - HNC (Aus) Resources Pty Ltd	15	10.00%	20,001	4,302	5,308	10,391
Borrowing - Hunan Nonferrous Metals Corporation Ltd (HNC)	15	10.00%	14,755	3,120	3,120	8,515
Borrowing - Yorkville Advisors Global Investments LP	15	10.00%	17,807	-	-	17,807
Borrowing - Trustee Bond	15	10.00%	2,000	-	-	2,000

Fair values of financial assets and liabilities
The fair values together with the carrying amounts shown in the statement of financial position are as follows:

Consolidated Group	Note	Carrying amount 2012 $'000's	Fair value 2012 $'000's	Carrying amount 2011 $'000's	Fair value 2011 $'000's
Trade and other receivables	10	493	493	202	202
Cash and cash equivalents	9	524	524	3,029	3,029
Trade and other payables	14	728	728	479	479
Borrowing	15	58,049	58,049	54,563	54,563

	Consolidated Group 2012 $'000's	Consolidated Group 2011 $'000's
20. Operating leases		
Leases as Lessee		
Less than one year	60	12
Between one and five years	14	-
	74	12

The Group leases commercial office space for its head office situated at Level 15, 3 Spring Street, Sydney, NSW, Australia. On 14 December 2012, the Company entered into a 12 month commercial lease for the premises at $4,500 a month.

	Consolidated Group	
	2012	2011
	$'000's	$'000's

21. Other commitments

Exploration expenditure commitments		
Contracted but not provided for and payable:		
Within one year	**344**	160
One year or later and no later than five years	**284**	1,178
Later than five years	**-**	919
	628	2,257

22. Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required.

The Company has bank guarantees and security deposits in respect of the Company's performance under Australian exploration and mining titles	**20**	20
Environmental bond*	**1,324**	1,324
Royalties**	**2,500**	2,500
	3,844	3,844

* The environmental bond is held by the bank which is under administration of the NT state government.

** The Browns Joint Venture, of which an entity in the Group is a participant, has an obligation under an Agreement with Rio Tinto to pay that company a royalty totalling $2,500,000 plus interest calculated from the date of the agreement, when certain conditions are met. As at 31 December 2012, these conditions had not been satisfied and therefore no separate liability has been booked in the Consolidated Statement of Financial Statement. However, when calculating the value in use of the Group's investment in the Browns Projects, the amount payable to Rio Tinto has been taken into account, as the conditions that trigger the obligation to pay would arise once production is at full capacity.

Through the Browns Joint Venture's arrangements there are also obligations to pay royalties to Anglogold and Cameco once production in the sites other than Brown's East commences. Until such time as production does commence in the areas no actual liability will arise.

A stamp duty liability for the Company with respect to its joint venture agreements with HNC.
Pursuant to the relevant transaction documents, the Company has contractually agreed with HNC that it will equally share any stamp duty liability for this matter. So far, no notice of assessment has ever been issued by the Territory Revenue Office (TRO) with respect to this liability. The shared settlement offer that the Company and HNC were considering was in a range of $63,815 to $493,099 by each party. There is no certainty when the liability will be reviewed and required to be settled by TRO.

23. Reconciliation of cash flows from operating activities

	Consolidated Group	
	2012	2011
	$'000's	$'000's
Cash flows from operating activities		
(Loss)/Profit for the period	**(12,704)**	22,068
Add-back:		
Adjustment due to re-instatement in JV's	**4,052**	27,113
Income on forgiveness of debt and cash calls	-	(40,551)
Other	**(572)**	-
Operating (loss)/profit before changes in working capital and provisions	**(9,224)**	8,630
Decrease in receivables	**711**	8,207
Increase in other assets	**(38)**	(14,780)
Increase in trade and other payables	**5,909**	-
Net balance sheet movement	**6,582**	(6,573)
Net cash from operating activities	**(2,642)**	2,057

24. Related parties

The following were key management personnel of the Group at any time during the Reporting Period:

Non-executive Directors:
Mr J. Carr
Mr D. Gonzalez†
Mr G. Eicke†
Mr M. Angelo†
Mr J. Allen

†Mr Gonzalez, Mr Eicke and Mr Angelo are the managing members of Yorkville Advisors whereby Yorkville Advisors holds a loan to the Company. Please see Note 19.

Executive Directors:
Mr J. Carr (Managing Director, appointed July 2012)
Mr P. Wood (Chief Executive Officer and Executive Director, appointed 21 August 2012)
Mr R. Swann (Managing Director, appointed 9 October 2006, resigned 29 June 2012 and continued as a corporate consultant until November 2012)

Executives:
Mr N. Guest (Chief Financial Officer, appointed 1 December 2007, Company Secretary appointed 1 February 2008, resigned January 2012 and continued as an accounting consultant until June 2012)
Mr G. Johansen (Consulting Geologist)
Mr T. Bloomfield (Company Secretary, appointed January 2012)

Employment contracts with a defined expiry date
The Company entered into a service agreement with Mr Guest as Chief Financial Officer on 1 December 2007. Mr Guest's service agreement was extended 2 February 2011. After this date, Mr Guest was engaged as a consultant to the company and resigned from this role on 13 January 2012.

Currently there are no other employees employed under contract that has a defined expiry date. The remuneration of key management personnel are reviewed annually.

Key management personnel disclosures
The aggregate compensation made to the Directors and other members of KMP of the Group is set out below:

	Consolidated Group	
	2012	2011
	$'000's	$'000's
Short-term employee benefits	**675,694**	373,820
Other long-term employee benefits	**7,500**	4,444
Total compensation paid to key management personnel	**683,194**	378,264

Directors remuneration includes amounts paid by the Company during the period to indemnify directors, but does not include insurance premiums paid by the Company or related parties in respect of Directors' and Officers' Liabilities and Legal Expenses insurance contracts, as the insurance policies do not specify premiums paid in respect of individual directors.

Equity instruments
Movement in shares
The movement during the Reporting Period in the number of ordinary shares of the Company held, directly, indirectly or beneficially, by each key management personnel, including their personally-related entities is as follows:

	Held at 1 January 2012	Purchases	Shares received upon exercise of options	Sales/ divestments	Held at 31 December 2012
Directors					
Mr R Swann*					
- Fully Paid Ordinary Shares	100,000	-	-	-	100,000

* Mr Swann resigned 29 June 2012.

The above equity holdings include directors' entitlements arising under the Company Staff Equity Participation Plan.

Options and rights over equity instruments
No options were held by any member of key management personnel or by key management person related parties as at 31 December 2011 or 2012.

Apart from the details disclosed in this note, no other Director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at the end of the Reporting Period.

24. Related parties (continued)

Non key management personnel disclosures

Identity of related parties
The Group has a related party relationship with Yorkville Advisor Global Investments LP (see Note 19), its subsidiaries (see Note 25), joint venture (see Note 13) and with its directors and executive officers.

25. Controlled entities

	Country of incorporation	Ownership interest 2012	2011
Parent entity			
Compass Resources Limited	Australia		
Significant subsidiaries			
Compass Staff Equity Pty. Ltd	Australia	**100%**	100%
Raptor Minerals Ltd (formerly Four Points Exploration Ltd)	Australia	**100%**	100%
Compass Mining Pty Ltd (formerly Compass Exploration Pty Ltd)*	Australia	**0%**	100%
Guardian Resources Pty Ltd	Australia	**100%**	100%
Rum Jungle Mining Ltd	Australia	**100%**	100%

* Compass Mining Pty Ltd was deregistered on 20 October 2012.

26. Auditor's remuneration
During the year, the following fees were paid or payable for services provided by the auditor of the parent entity:

	Consolidated Group 2012 $'000's	2011 $'000's
Grant Thornton Audit Pty Ltd		
Audit fees	**55,000**	60,000

27. Parent entity information
The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

	2012 $'000's	2011 $'000's
ASSETS		
Current assets	594	596
Non-current assets	79,555	86,714
TOTAL ASSETS	80,149	87,310
LIABILITIES		
Current liabilities	58,428	15,909
Non-current liabilities	1,364	40,078
TOTAL LIABILITIES	59,792	55,987
NET ASSETS	20,357	31,323
EQUITY		
Issued capital	202,425	202,425
Reserves	15,354	15,354
Retained earnings	(197,422)	(186,456)
TOTAL EQUITY	20,357	31,323
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME		
Total (loss)/profit	(10,966)	27,151
Total comprehensive income/(loss)	-	-

27. Parent entity information (continued)

Guarantees
Compass Resources Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contractual commitments
At 31 December 2012, Compass Resources Limited as a Listed Public Limited with trading suspended had not entered into any contractual commitments for the acquisition of property, plant and equipment (2011: Nil).

Contingencies

	Consolidated Group	
	2012	2011
	$'000's	$'000's
The Company has bank guarantees and security deposits in respect of the Company's performance under Australian exploration and mining titles	20	20
	20	20

28. Segment reporting
After the Deed of Company Administration finalised on 15 November 2011, the Group's Internal Reporting for the year ended 31 December 2012 has still been continued on a receipts and payment basis. The Group has only one material segment being mineral exploration in Australia.

29. Subsequent events

Events subsequent to Balance Date
On 21 January 2013, the Company entered into a "Forbearance Letter" with HAR and HNC, whereby certain monthly repayments by the Company to HAR and HNC under the Secured Bond Deed would be delayed until 1 April 2013 together with a standstill fee. However, on 1 April 2013 the Company failed to meet the repayment obligation, but on 10 May 2013, the Company signed a "Patience Letter" with HNC and HAR in relation to further delaying the debt repayment, with HNC and HAR reserving all their rights under the Secured Bond Deed. These rights include: 1) HNC and HAR's right to declare that all monies owing to them under the Secured Bond Deed are due and payable in accordance with clause 7.3 of the Secured Bond Deed; 2) HNC and HAR's right to declare that Compass is a "Defaulting Joint Venturer" for the purposes of each of the Joint Venture Agreements; and 3) HNC and HAR's right to enforce the security which has been granted to them by Compass. In addition, the Company incurs additional interest on overdue amounts, pending final resolution of its debt obligations to HAR and HNC. Also, both YA and the Bondholder have agreed not to exercise their rights to require early repayment under the facilities that YA has provided to the Company and the Unsecured Bond Deed respectively.

Directors' Declaration

1 In the opinion of the directors of Compass Resources Limited ("the Company"):

(a) The consolidated financial statements and notes of Compass Resources Ltd, set out on pages 10 to 34, are in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the financial position as at 31 December 2012 and of their performance, for the year ended on that date; and

(ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) The financial report also complies with International Financial Reporting Standards as disclosed in note 2(a); and

(c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The Directors have been given the declarations from the Chief Executive Officer for the financial year ended 31 December 2012 required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors:

Philip R. Wood

Philip R. Wood
Chief Executive Officer
& Executive Director

Sydney
21 June 2013

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Independent Auditor's Report
To the Members of Compass Resources Limited

Report on the financial report

We have audited the accompanying financial report of Compass Resources Limited (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Basis for qualified auditor's opinion
The following scope limitation occurred during the course of our audit:

The Company's operations include interests in the Browns Project Joint Ventures, which comprises the Sulphide, Oxide and Regional Exploration Joint Ventures (Refer to Note 13 in the financial statements). On the completion of the Deed of Company Administration on 15 November 2011, the Company ceased to be a defaulting participant to the joint ventures. Under the terms of the Joint Venture, ownership of the Browns Oxide Plant is shared between the Joint Venture parties. Initial discussions between the joint venture parties have indicated that the ownership of the plant should be in proportion to their respective cash contributions, resulting in the Company and the other joint venture party respectively owning 61% and 39%. This adjustment has resulted in a further decrease to the Company's carrying value of Mining &Processing Equipment (Equipment) for the year ended 31 December 2012 by $4,051,000. (Refer to Note 12 in the financial statements).

At the date of this audit report, the Joint Venture parties are yet to enter into a formal agreement as to the specific proportion of Equipment ownership applicable to each participant. Should the final agreement not be based on the proportions of cash contributions made but some other basis, then the amount of the adjustment required to the carrying value of the Equipment may either decrease or increase to represent the new proportion of ownership. We therefore do not have sufficient audit evidence to determine whether the adjusted carrying value of Equipment of $43,336,000 is fairly stated.

Auditor's opinion
In our opinion:

a the financial report of Compass Resources Limited is in accordance with the Corporations Act 2001, including:

i giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and

ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 6 to 8 of the directors' report for the year ended 31 December 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Compass Resources Limited for the year ended 31 December 2012, complies with section 300A of the Corporations Act 2001.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, attention is drawn to the following matter. As described in Note 2(b) in the financial report, the consolidated entity incurred a net loss of $12,704,000 during the year ended 31 December 2012 and, as of that date, the consolidated entity's current liabilities exceed current assets by $60,538,000. The ability of Compass Resources Limited to pay its debts as when they fall due is dependent upon the continued support of its lenders and upon its successful re-capitalisation. Because of these matters, there exists a material uncertainty which may cast significant doubt about the consolidated entity's ability to realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial report.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Partner - Audit & Assurance

Perth, 21 June 2013